

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 207

Topic: Henry Tax Review – Resources Super Profits Tax

Hansard Page: Written

Senator ABETZ asked:

1. I refer to Chart C1-1 on page 226 of the Henry Review. I note that it is based on Treasury estimates of the magnitudes that it depicts. Can you tell me when those estimates would have been finalised for the production of this chart?
2. I refer to page 10 of the announcement document released on May 2, describing the RSPT and Chart 2.1. I note that this also is based on Treasury estimates. Can you tell me when those would have been finalised?
3. I refer to the last profits bar in the two charts, the one for 2008-09. Can I ask you to explain the great difference in the heights of these two bars, the first is at about \$50b, the second at about %90b?
4. This analysis includes data for offshore oil and gas extraction which is already subject to a resource rent tax. Is that correct? What is the basis for its inclusion?
5. Is this chart the basis for Treasury advice that the Treasurer may justifiably claim that income from resources has fallen from one dollar in every three to one dollar in seven?
6. If that claim (that income from resources has fallen from one dollar in every three to one dollar in seven) is not in respect of onshore mining, but in respect of all resource industries including oil and gas extraction has Treasury recently performed the analysis just for onshore mining? If so, what are the results of the analysis for onshore mining? Do the claims by Treasury still stand?
7. The Commonwealth Grants Commission recently completed a triennial review. I draw your attention to Chapter 8 at page 130 of that Review where the Commission provides estimates of mining royalties collected by the States from 2005-6 to 2008-09.
I also draw your attention to the ABS publication Australian Industry 2008-09, released by the Bureau last Friday. From the former we can glean that royalties in 2008-09 amounted to about \$8.3b. From the latter we discover that profits before tax from all mining activity were about \$63.6b while those from oil and gas extraction were about \$27.1b, meaning onshore mining profits before tax were about \$36.5b and profits before tax and royalties were about \$44.8b. If one divides royalties by profits before tax and royalties for onshore mining, the outcome is approximately 0.19 or about 1 in 5.4. How does that correlate to the claim by Treasury of one in seven?
8. The Grants Commission document has been available since the end of February. Presumably the recent ABS release has been in preparation by the Bureau for

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some time. Did Treasury have any advance notice of the profits estimates that the Bureau was in process of preparing?

9. What the Bureau's advice sought in preparing the Treasury estimates that underpin Chart 2.1?
10. Can you explain the disparity between one in seven and one in 5.4?
11. If the Budget Papers estimate of revenue from the PRRT in 2008-09 of about \$2.1b is added to our earlier figures we can see that the height of the last bar in this chart should be about \$74b not the about \$90b that appears there. Do you agree? The Treasury estimate of this figure critical to the Government's case for the RSPT was out by \$16b or almost 18%. Do you agree? If not, why not and provide detailed explanation.
12. I refer to the ABS publication Mining Operations 2000-01. Extracting the same data from this publication as is described above and performing the same computations as above, one arrives at a royalties' share of profits before tax and royalties of about 0.2 or 1 in 5. A conclusion can be reached, based on statistics from the Commonwealth Grants Commission and the ABS, that the RSPT has been introduced to counteract the deterioration in revenue collection from onshore mining represented by the decline from one dollar in every 5 to one dollar in every 5.4. Does Treasury believe that such a decline justifies introducing an RSPT?
13. Can you explain the considerable difference between the figures based on data in the public domain and the Treasury estimates?
14. Is it a matter for public concern that there should be such a disparity on a matter of such public importance?

Answer:

- 1) The estimates presented in Chart C1-1 on page 226 of the AFTS report were finalised prior to the release of the AFTS report to the Treasurer in December 2009.
- 2) The estimates presented in Figure 2.1 on page 10 of the announcement documentation were finalised shortly prior to the announcement on 2 May 2010.
- 3) Chart C1-1 on page 226 of the AFTS report refers to minerals only and excludes petroleum. Figure 2.1 on page 10 of the announcement documentation refers to both minerals and petroleum. As noted in the previous two answers, the estimates for the AFTS charts were prepared earlier than the chart in the announcement document. Both were based on the best available information at the time.

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- 4) The announcement document was prepared in response to the AFTS recommendation, which covered both petroleum and minerals.

- 5) The chart presents the amount of resource taxes and royalties to estimated resource rents.

- 6) The Australia's Future Tax System Review report presents a chart for minerals (excluding petroleum). See Chart C1-1.

- 7) This is a different estimate based on different data.

- 8) No. The ABS data referred to was not available to Treasury in advance of its public release.

- 9) Treasury consulted the Australian Bureau of Statistics (ABS) about the methodologies employed to produce the ABS data used by Treasury for modelling resource rents.

- 10) These different estimates are based on different data that has become available at a later time.

- 11) Refer to question 10.

- 12) This is a policy question.

- 13) Refer to question 10.

- 14) Treasury estimates were based on the best available information at the time.